

**REPORT ON EXAMINATION**  
**OF**  
**DIGITAL EDGE INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2021**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
DIGITAL EDGE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2021

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 19th day of April, 2023

## TABLE OF CONTENTS

SCOPE OF EXAMINATION .....	1
SUMMARY OF SIGNIFICANT FINDINGS.....	3
COMPANY HISTORY .....	3
CAPITALIZATION .....	4
MANAGEMENT AND CONTROL.....	4
DIRECTORS .....	4
COMMITTEES OF THE BOARD.....	4
OFFICERS.....	5
CORPORATE RECORDS.....	5
INSURANCE HOLDING COMPANY SYSTEM.....	6
AGREEMENTS WITH AFFILIATES .....	7
TERRITORY AND PLAN OF OPERATION.....	8
TERRITORY .....	8
PLAN OF OPERATION .....	8
REINSURANCE .....	8
FINANCIAL STATEMENTS.....	9
STATEMENT OF ASSETS .....	10
STATEMENT OF LIABILITIES AND SURPLUS .....	11
STATEMENT OF INCOME.....	12
CAPITAL & SURPLUS ACCOUNT.....	13
RECONCILIATION OF CAPITAL AND SURPLUS.....	14
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION.....	14
COMMENTS ON FINANCIAL STATEMENT ITEMS .....	14
SUBSEQUENT EVENTS.....	14
SUMMARY OF RECOMMENDATIONS.....	15

February 9, 2023

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.008, dated March 28, 2022, an examination has been made of the affairs, financial condition and management of

**Digital Edge Insurance Company**

hereinafter referred to as the Company or DEIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 9 E. Loockerman Street, Suite 311, Dover, Delaware 19901. The administrative office of the Company is located 76 ST. Paul Street, Suite 500, Burlington, Vermont 05401, subsequently relocated to 555 College Road East, Princeton, New Jersey 08543. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a multi-state financial examination of the Company. This is the first regulatory examination of the Company. This examination will cover the period from May 29, 2018 through December 31, 2021. Our examination of the Company was performed as part of the examination of the

Munich Re America Corporation (MRAC) affiliated sub-group of insurance companies as of December 31, 2021. The examination was conducted concurrently with that of its Delaware domiciled affiliate companies, Munich Reinsurance America, Inc. (MRAm), The Princeton Excess and Surplus Lines Insurance Company, Bridgeway Insurance Company and the Company's Rhode Island affiliate Digital Advantage Insurance Company. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm Ernst & Young, LLP (E&Y). Certain auditor work papers of the 2021 E&Y audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

#### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

#### **COMPANY HISTORY**

The Company was incorporated on November 8, 2017, under the laws of the State of Delaware and was granted a Certificate of Authority on April 11, 2019. The Company is a dormant shell and is a subsidiary of the Munich Re Digital Partners US Holding Corporation (MRDPUSHC), a direct wholly owned subsidiary of Munich American Holding Corporation (MAHC), who in turn is a direct wholly owned subsidiary of Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft (MRG). On April 1, 2019, the Company received capital of \$17,500,000 from MRDPUSHC. In 2021, the Company received a capital contribution of \$950,000.

### Capitalization

The Company's amended Certificate of Incorporation authorizes the issuance of 10,000 shares of common stock with a \$350 par value. As of December 31, 2021, the Company had 10,000 shares of common stock issued and outstanding totaling \$3,500,000. All outstanding common shares of the Company are owned by MRDPUSHC. As of December 31, 2021, the Company reported common capital stock and gross paid-in and contributed surplus of \$18,450,000.

### **MANAGEMENT AND CONTROL**

#### Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board of Directors (Board). In accordance with the Company's bylaws, the number of Directors shall consist of not less than three members or more than eleven members. Directors shall be elected annually by the sole stockholder and shall hold office for one year until successors are elected and qualified, or until earlier resignation or removal. The members of the Board, serving as of December 31, 2021, each elected or appointed in accordance with the Company bylaws were as follows:

<u>Name</u>	<u>Affiliation</u>
Michael Gerard Kerner	MRAm
Kenneth Kuhn	MRAm
Andreas Kleiner	MRAm

#### Committees of the Board

There are no standing committees of the Board.

Officers

In accordance with its bylaws, officers serving the Company shall be a Chief Executive Officer, a Chief Financial Officer and a Secretary. The Board may also elect a Chairman, a President, a Treasurer, one or more Vice Presidents and such Assistant Secretaries and Assistant Treasurers as they may deem proper. The senior officers, duly appointed in accordance with the bylaws and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Title</u>
Michael Gerard Kerner	President, Chief Executive Officer
Oliver Juergen Horbelt	SVP, Chief Financial Officer
David Green	Assistant General Counsel & Secretary
Mark Van Emburgh	Vice President
Ignacio Rivera	Assistant Secretary
Peter Joy	Vice President
Elizabeth Kramer	Vice President

Corporate Records

The recorded minutes of the Shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board did not adequately document its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. Therefore, it is recommended,

**The Company comply with 18 *Del. C.* §1304.**

In addition, the review of Company files indicated that written correspondence was not submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919. Therefore, it is recommended,

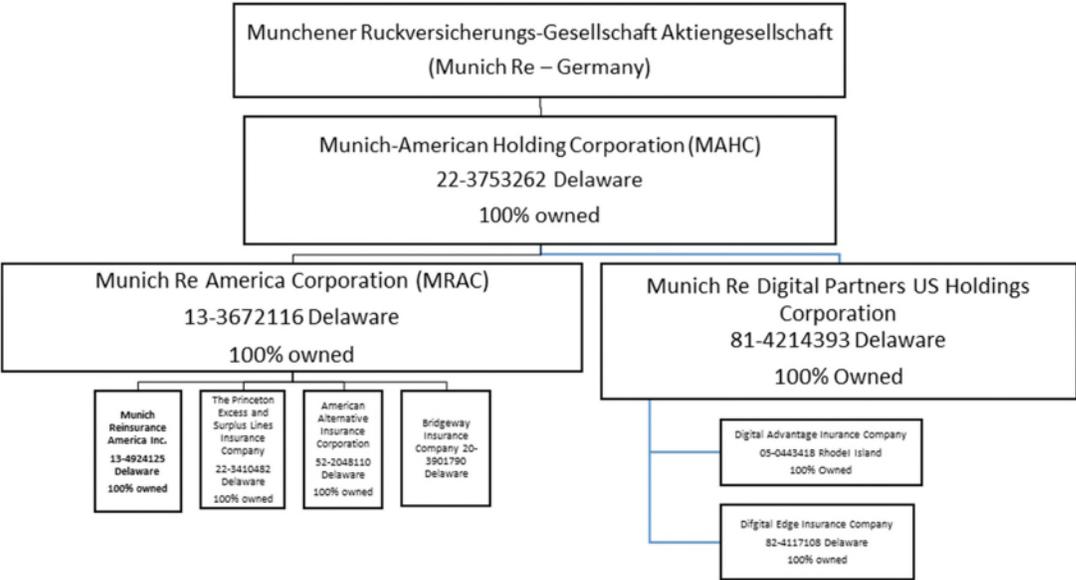
**The Company comply with 18 *Del. C.* §4919.**

Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001 (7) of the Delaware Insurance Code. The Company maintains that as of December 31, 2021, MRG is the ultimate controlling entity of the Company. The 2021 amounts below were reported in the most recent MRG annual report based on International Financial Reporting Standards (IFRS), converted from Euros to U.S. dollars as of December 31, 2021, (conversion rate of 1 Euro = \$1.137651 U.S.).

Assets	\$355.4 Billion
Liabilities	\$320.2 Billion
Equity	\$35.2 Billion

The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2021:



A review of the Annual Form B and Form C filings made by DEIC for all years under examination revealed that the Company has complied with the requirements of 18 *Del. Admin. Code* §1801

Agreements with Affiliates

The Company was a party to the following significant intercompany agreements and arrangements in effect as of December 31, 2021:

*Consolidated Income Tax Allocation Agreements*

In 2018, MAHC filed Amendment #1 to the Second and Amended Restated Tax Allocation Agreement, to include the company retroactively to July 31, 2018. Effective January 15, 2020, the 2017 Second Amended and Restated Tax Allocation Agreement was replaced with the Third Amended and Restated Tax Allocation Agreement with MAHC and all its subsidiaries with similar terms for tax years ending December 31, 2020 and later. This agreement was filed with the Department on January 30, 2020, and approved by the Department on February 18, 2020. This agreement was amended on August 31, 2020 and approved by the Department on September 30, 2020. The amendment clarified compensation for credits and further clarified refund payment due dates. Under the consolidated tax allocation agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return.

*General Service and Administrative Agreement*

Through amendment to the Amended and Restated General Services and Cost Allocation Agreement among affiliates effective July 31, 2018, the Company became a party to an intercompany cost allocation agreement, originally effective September 27, 2017. Parties to the agreement may provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human

resources, corporate finance, public relations, executive, engineering, loss mitigation and inspection, executive, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and Statement of Statutory Accounting Principles (SSAP) 70. Charges shall be settled within thirty days of the end of each calendar quarter. This agreement was amended on September 17, 2020. This amendment was filed with and approved by the Department on September 29, 2020.

### **TERRITORY AND PLAN OF OPERATION**

#### **Territory**

The Company is a Delaware Corporation and is licensed insurer in 45 states and the District of Columbia.

#### **Plan of Operation**

The Company intends to sell the following lines of business through wholesale channels: commercial property, commercial general liability, burglary and theft, boiler and machinery and inland marine. Built within their strategy will be the use of Insurance Service Office (ISO) policy forms, terms and conditions as well as rating models. These products are generally accepted by all of the Company's wholesale distribution sources. The Company will market its products through licensed wholesale agents/brokers. Currently the Company is not writing any business.

### **REINSURANCE**

Effective January 1, 2019, and approved by the Department on June 24, 2019, the Company entered into a 100% quota share agreement with its affiliate, MRAm.

**FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2021
- Statement of Liabilities and Surplus as of December 31, 2021
- Statement of Income for the year ended December 31, 2021
- Statement of Capital and Surplus Account for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period April 1, 2019 to December 31, 2021

**STATEMENT OF ASSETS**  
As of December 31, 2021

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets 2021</u>
Bonds	\$ 4,471,530	\$ -	\$ 4,471,530
Common stocks (stocks)	-	-	-
Real Estate	-	-	-
Cash equivalents	<u>13,006,576</u>	<u>-</u>	<u>13,006,576</u>
Subtotals, cash and invested assets	\$ 17,478,106	\$ -	\$ 17,478,106
Investment income due and accrued	35,595		35,595
Uncollected premiums and agents' balances in the course of collection	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 17,513,701</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,513,701</u></u>

STATEMENT OF LIABILITIES AND SURPLUS  
As of December 31, 2021

	<u>2021</u>
Total liabilities	\$ <u>-</u>
Aggregate write-ins for special surplus funds	-
Common capital stock	3,500,000
Gross paid in and contributed surplus	14,950,000
Unassigned funds (surplus)	<u>(936,299)</u>
Surplus as regards policyholders	\$ <u>17,513,701</u>
Totals of liabilities & surplus	<u>\$ 17,513,701</u>

STATEMENT OF INCOME  
For the Year Ended December 31, 2021

	<u>2021</u>
<b>Underwriting Income</b>	
Premiums earned	\$ <u>          -</u>
<b>Deductions</b>	
Losses incurred	\$           -
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	<u>      375,178</u>
<b>Total underwriting deductions</b>	<u>\$    375,178</u>
Net underwriting gain (loss)	<u>\$   (375,178)</u>
<b>Investment Income</b>	
Net investment income earned	76,910
Net realized capital gains (losses)	<u>          -</u>
Net investment gain (loss)	<u>\$     76,910</u>
<b>Other Income</b>	
Net gain (loss) from agents' or premium balances charged off	-
Aggregate write-ins for miscellaneous income	<u>          -</u>
Total other income	<u>\$           -</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$   (298,268)</u>
Dividends to policyholders	<u>          -</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$   (298,268)
Federal and foreign income taxes incurred	<u>          -</u>
Net Income	<u><u>\$   (298,268)</u></u>

CAPITAL & SURPLUS ACCOUNT  
For the Year Ended December 31, 2021

	<u>2021</u>
Surplus as regards Policyholders, December 31, 2020:	\$ 16,861,969
Net Income	(298,268)
Paid in Surplus	<u>950,000</u>
Change in surplus as regards policyholders for the year	\$ 651,732
Surplus as regqrd policyholders December 31, 2021:	<u><u>\$ 17,513,701</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS

As of April 1, 2019, to December 31, 2021

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
4/1/2019	\$ 3,500,000	\$ 14,000,000	\$ (2,017)	\$ 17,497,983
12/31/2019 (1)			(76,891)	(76,891)
12/31/2020 (1)	-	-	(559,123)	(559,123)
12/31/2021 (1)	-	-	(298,268)	(298,268)
12/31/2021 (2)	-	950,000		950,000
Total	<u>\$ 3,500,000</u>	<u>\$ 14,950,000</u>	<u>\$ (936,299)</u>	<u>\$ 17,513,701</u>

(1) Represents net income

(2) Contributed surplus

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM  
THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Losses	\$0
Loss Adjustment Expenses	\$0

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 55.

**SUBSEQUENT EVENTS**

The Company was sold as of October 20, 2022 to an unaffiliated party. There was no insurance activity during the examination period.

**SUMMARY OF RECOMMENDATIONS**

The recorded minutes of the Board did not adequately document its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. Therefore, it is recommended,

**The Company comply with 18 Del. C. §1304.**

In addition, the review of Company files indicated that written correspondence was not submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919. Therefore, it is recommended,

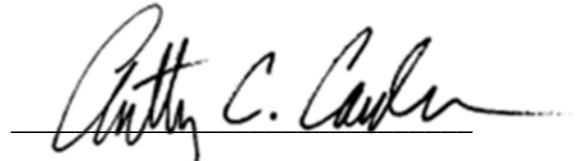
**The Company comply with 18 Del. C. §4919.**

The assistance and cooperation of the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Albert M. Piccoli, Sr., CFE  
Examiner In-Charge  
State of Delaware



Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

Digital Edge Insurance Company

I, Albert Piccoli, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 22.008.

A handwritten signature in cursive script that reads "Albert M. Piccoli, Sr." is written over a horizontal line.

Albert M. Piccoli, Sr., CFE